

MEMPHIS SHELBY CRIME COMMISSION

FINANCIAL STATEMENTS

September 30, 2017 and 2016

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Memphis Shelby Crime Commission
Memphis, Tennessee

We have audited the accompanying financial statements of the Memphis Shelby Crime Commission (a nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Memphis Shelby Crime Commission as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Memphis, Tennessee

REPORT DATE

MEMPHIS SHELBY CRIME COMMISSION

STATEMENTS OF FINANCIAL POSITION

September 30, 2017 and 2016

	<u>Assets</u>	
	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 613,507	\$ 471,191
Contributions receivable, current portion	1,138,871	115,000
Grants receivable	-	67,174
Other receivable	1,843	10,696
Prepaid expenses	6,716	5,794
Deposits	1,899	1,899
	<u>1,762,836</u>	<u>671,754</u>
Fixed Assets		
Furniture and fixtures	14,934	21,986
Computer equipment and software	22,834	27,665
Less: accumulated depreciation	<u>(32,174)</u>	<u>(42,583)</u>
Total fixed assets	5,594	7,068
Contributions receivable, net of current portion and discount	<u>1,811,128</u>	<u>-</u>
Total assets	<u><u>\$ 3,579,558</u></u>	<u><u>\$ 678,822</u></u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 640	\$ 142,914
Accrued expenses	3,840	1,124
Grants payable, current portion	1,527,862	-
Grants payable, net of current portion and discount	<u>3,919,893</u>	<u>-</u>
Total liabilities	5,452,235	144,038
Net Assets		
Unrestricted	(5,629,480)	54,602
Temporarily restricted	<u>3,756,803</u>	<u>480,182</u>
Total net assets	<u>(1,872,677)</u>	<u>534,784</u>
Total liabilities and net assets	<u><u>\$ 3,579,558</u></u>	<u><u>\$ 678,822</u></u>

The accompanying notes are an integral part of these financial statements.

MEMPHIS SHELBY CRIME COMMISSION

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support and Revenues						
Contributions and grants	\$ 842,856	\$ 3,748,794	\$ 4,591,650	\$ 755,491	\$ 478,290	\$ 1,233,781
Other	8,396	-	8,396	5,994	-	5,994
Net assets released from restriction	472,173	(472,173)	-	3,464	(3,464)	-
Total public support and revenues	1,323,425	3,276,621	4,600,046	764,949	474,826	1,239,775
Expenses						
Program services	6,893,445	-	6,893,445	837,645	-	837,645
Management and general	114,062	-	114,062	59,670	-	59,670
Total expenses	7,007,507	-	7,007,507	897,315	-	897,315
Change in net assets	(5,684,082)	3,276,621	(2,407,461)	(132,366)	474,826	342,460
Net assets, beginning of the year	54,602	480,182	534,784	186,968	5,356	192,324
Net assets, end of the year	<u>\$ (5,629,480)</u>	<u>\$ 3,756,803</u>	<u>\$ (1,872,677)</u>	<u>\$ 54,602</u>	<u>\$ 480,182</u>	<u>\$ 534,784</u>

The accompanying notes are an integral part of these financial statements.

MEMPHIS SHELBY CRIME COMMISSION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended September 30, 2017 and 2016

	2017			2016		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries	\$ 207,612	\$ 36,637	\$ 244,249	\$ 122,100	\$ 21,547	\$ 143,647
Employee benefits	35,389	6,245	41,634	21,040	3,713	24,753
	<u>243,001</u>	<u>42,882</u>	<u>285,883</u>	<u>143,140</u>	<u>25,260</u>	<u>168,400</u>
Accounting fees	-	24,733	24,733	-	24,754	24,754
Advertising	803	142	945	2,401	423	2,824
Bad debt	-	34,640	34,640	-	-	-
Bike rewards	16,186	-	16,186	14,488	-	14,488
Computer expenses	9,432	1,665	11,097	6,632	1,170	7,802
Meetings, and travel	1,552	-	1,552	7,496	-	7,496
Research	502,378	-	502,378	125,596	-	125,596
Depreciation	1,783	315	2,098	1,263	224	1,487
Insurance	2,594	458	3,052	1,805	319	2,124
Legal fees	-	281	281	-	330	330
Miscellaneous expense	340	-	340	25,144	-	25,144
MPD recruit and retain	5,848,543	-	5,848,543	-	-	-
Office supplies	3,130	552	3,682	2,978	525	3,503
Postage	305	54	359	551	97	648
Printing	8,919	1,574	10,493	4,462	787	5,249
Professional services	215,941	-	215,941	468,930	-	468,930
Publications	201	-	201	-	-	-
Rent	35,256	6,222	41,478	28,793	5,081	33,874
Telephone	3,081	544	3,625	3,966	700	4,666
	<u>\$ 6,893,445</u>	<u>\$ 114,062</u>	<u>\$ 7,007,507</u>	<u>\$ 837,645</u>	<u>\$ 59,670</u>	<u>\$ 897,315</u>

The accompanying notes are an integral part of these financial statements.

MEMPHIS SHELBY CRIME COMMISSION

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2017 and 2016

	2017	2016
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ (2,407,461)	\$ 342,460
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided By (Used For) Operating Activities:		
Depreciation	2,098	1,487
Changes in Operating Assets and Liabilities:		
Contributions receivable	(2,834,999)	(103,000)
Grants receivable	67,174	1,173
Other receivable	8,853	(10,696)
Prepaid expenses	(922)	(2,284)
Accounts payable	(142,274)	118,695
Accrued expenses	2,716	332
Grants payable	5,447,755	-
Total adjustments	2,550,401	5,707
Net cash provided by operating activities	142,940	348,167
Cash Flows Used For Investing Activities:		
Purchase of fixed assets	(624)	(2,988)
Net increase in cash and cash equivalents	142,316	345,179
Cash and cash equivalents, beginning of the year	471,191	126,012
Cash and cash equivalents, end of the year	\$ 613,507	\$ 471,191

The accompanying notes are an integral part of these financial statements.

MEMPHIS SHELBY CRIME COMMISSION

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Memphis Shelby Crime Commission (“the Commission”) is a nonprofit organization established to be a bridge between the public and law enforcement for the purpose of reducing crime.

Nature of Operations

The Commission is primarily supported by private individuals and organizations. The Commission has implemented several programs over the years to reduce crime. Currently, the Commission, in conjunction with both private and public sector leaders and the University of Public Safety Institute, has initiated the Operation: Safe Community (“OSC”) program. The program is a strategic initiative to reduce crime in Memphis and Shelby County by guiding law enforcement, both by itself and through specific types of community partnerships. The program consists of sixteen strategies that identify lead organizations, a plan of action, and measurements for success.

Method of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions and Grants

Contributions and grants are recognized as revenue when they are received or unconditionally pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

All contributions are considered unrestricted unless specifically restricted by the donor. Donor-restricted contributions are recorded as temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restriction. When a donor restriction expires in the same year received, revenue is recognized as unrestricted net assets.

Concentrations and Credit Risks

The Commission’s credit risks primarily relate to cash. The Commission maintains cash balances at two banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to an aggregate of \$250,000.

For the years ended September 30, 2017 and 2016, 59% and 67% of the Commission's contributions and grants were from three and four donors, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Commission considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Receivables

Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year, and writes off to expense all balances that are considered uncollectible. Accordingly, management does not deem an allowance for doubtful accounts to be necessary.

For the year ended September 30, 2017, 73% of the Commission's contributions receivables were from three donors. For the year ended September 30, 2016, 87% of the Commission's contribution receivables were from two donors.

Fixed Assets

Fixed assets purchased are stated at cost and donated assets are recorded at estimated fair market value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 7 years. Maintenance and repairs are charged to operations when incurred. Betterments and renewals greater than or equal to \$500 are capitalized. When fixed assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Net Assets

The Organization's net assets and changes therein are classified and reported as follows:

Permanently Restricted Net Assets – Permanently restricted net assets represent contributions subject to donor-imposed stipulations to be invested in perpetuity, for which only the income may be available for program operations. At September 30, 2017 and 2016, the Commission had no permanently restricted net assets.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent gifts or other revenues wherein donors have specified the purpose for which the net assets are to be spent or time restrictions imposed or implied by the nature of the gift. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted Net Assets – Unrestricted net assets are all the remaining net assets of the Organization.

In-Kind Donations

Donated materials and contributed services are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing

those skills, and would typically need to be purchased if not provided by donation. For the years ended September 30, 2017 and 2016, the Commission recognized no in-kind revenue.

Functional Expenses

The costs of providing various program services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated between programs and supporting services based on time and usage estimates.

Tax Status

The Commission is exempt from income tax under Internal Revenue Code Section 501(c)(3). The Commission files an exempt organization return in the United States federal jurisdiction.

Date of Management's Review

The Commission evaluated its September 30, 2017 financial statements for subsequent events through **REPORT DATE**, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at September 30:

	2017	2016
Amounts due in less than one year	\$ 1,150,393	\$ 115,000
Amounts due in one to three years	1,922,150	-
Less allowance for bad debt	(30,744)	-
Less discount for long-term portion	(91,800)	-
Contributions receivable, net	<u>\$ 2,949,999</u>	<u>\$ 115,000</u>

These contributions receivable are recorded as income when contributed and have been discounted to net present value using a discount rate of 2% based on expected payments.

NOTE 3 – CONDITIONAL GRANT

During 2016, the Commission was awarded a conditional grant in the amount of \$1,000,000, which is contingent upon the Commission sending in satisfactory progress reports as stipulated in the agreement. Provided the conditions are met, the grant is payable to the Commission over a three year period commencing in 2016. For the year ended September 30, 2017, the amount received and recorded by the Commission related to this grant totaled \$333,333. As of September 30, 2017, the Commission had outstanding commitments of \$333,333, which have not been recorded in the accompanying financial statements, nor will they be until the conditions are met as stipulated. For the year ended September 30, 2016, the amount received and recorded by the Commission related to this grant totaled \$333,334. As of September 30, 2016, the Commission had outstanding commitments of \$666,666, which have not been recorded in the accompanying financial statements, nor will they be until the conditions are met as stipulated.

NOTE 4 – GRANTS PAYABLE

During 2017, the Organization entered into an unconditional grant agreement with a municipality, in which the Organization will provide annual payments of funds to this municipality based on an agreed upon schedule over a four year period.

Grants payable consisted of the following at September 30, 2017:

Amounts due in less than one year	\$ 1,527,862
Amounts due in one to three years	4,171,850
Less discount for long-term portion	<u>(251,957)</u>
Grants payable, net	<u>\$ 5,447,755</u>

This grant payable was recorded as expense when the agreement was entered into and legally binding, and it has been discounted to net present value using a discount rate of 2% based on expected payments.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2017 and 2016, net assets were temporarily restricted as follows:

	<u>2017</u>	<u>2016</u>
Public Safety Institute	\$ 506,768	\$ 307,738
K2 Intelligence	6,117	170,552
Victim Assistance Dinner	1,892	1,892
Mentoring Program	2,814	-
MPD Recruit/Retain	3,239,212	-
	<u>\$ 3,756,803</u>	<u>\$ 480,182</u>